



STATE OF MICHIGAN

DEPARTMENT OF MANAGEMENT & BUDGET  
LANSING

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**MEMORANDUM**

TO: Chief Financial Officers  
Administrative Officers  
Chief Accountants

FROM: Howard Pizzo, Director  
DMB - Financial Services

SUBJECT: Fiscal Year 2006 DMB Service Rates

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The mission of the Department of Management and Budget (DMB) is to provide cost-effective business services to government in a way that allows our customers to achieve key outcomes that demonstrate effectiveness, efficiency, and accountability. The following information highlights the DMB program activities that provide better business solutions for you.

Attachment 1 describes services to customers and highlights activities undertaken during the past fiscal year to maximize performance and minimize costs.

Attachment 2 is a listing of fiscal year 2006 rates for core DMB services. Detailed rates can be found on the Financial Services Website at [www.michigan.gov/dmb](http://www.michigan.gov/dmb). Click the *Financial Services* tab, and then select *Rates and Agency Object Codes*.

Each DMB program will be actively marketing their services in the coming months, but if you have specific service needs or questions, please call the individual program manager, or you may also contact Patricia Lack, Chief Accountant, at (517) 373-9219.

# Attachment 1

## Department of Management and Budget Fiscal Year 2006 Description of Services

**ACQUISITION SERVICES**, in addition to providing statewide procurement services, provides warehousing, transportation, and surplus property services to customers.

**Materials Management Services** offers competitive pricing and high-quality warehousing services to customers through economies of scale, efficient use of space, and the proactive management of physical assets. In partnership with our customers, we continue to reduce the amount of obsolete or inactive forms and publications that are warehoused. In FY05, the inventory of inactive and obsolete forms was reduced by approximately 20%. Space allocated to the storage of official tax records was also reduced in FY05.

Customers have a choice of inventory controlled warehousing or cold storage.

**State Surplus** provides services for the disposition and management of state surplus personal property. The State Surplus program continues to promote reutilization of surplus property by state agencies. In FY05 State agencies are projected to reutilize surplus state property valued at approximately \$1.5 million if purchased new. State Surplus also promotes surplus property sales to local units of government, school districts, and colleges and universities throughout the state.

In FY05 State Surplus opened a storefront for the general public, which provides greater public access to purchase surplus property that did not sell at public auction.

**Federal Surplus** continues to offer direct access to federal surplus property without the added cost of warehousing.

All eligible donee organizations have access to federal surplus property by screening electronically on the federal government's World Wide Web sites. The state's program assists in securing and shipping the property directly to the requesting organization.

**Transportation Services** provides scheduled, on-demand, and comprehensive transport services tailored to the needs of government such as: door-to-door, dock-to-dock, inside pickup and delivery, office furniture moves, records delivery, and freight services. The focus is on customized and timely service. Rates are competitive with those charged by the private sector.

**AGENCY SERVICES** offers centralized and essential business support services including the Consolidated Print Center, Mailing Services, Print and Graphic Services, and Vehicle and Travel Services.

# Attachment 1

## Department of Management and Budget Fiscal Year 2006 Description of Services

**Consolidated Print Center** is a centralized, high-speed, high-volume print and distribution center for client/server and mainframe computer output. There continues to be an increase in client/server printing capability that has opened the door to new initiatives such as personalized correspondence and Internet-based printing.

The Consolidated Print Center continues to partner with agencies to suppress unnecessary print and to store such print electronically, resulting in substantial savings for agencies. The program is also changing equipment configurations to increase print efficiency and reduce labor costs. These cost savings helped to stabilize the rates.

**Mailing Services** is a full-service mail preparation and processing center. The program offers timely, efficient, accurate, and economical services to meet the diverse needs of all customers. This includes specialized services not found in the private sector, such as low presort rates, accountable mail, pressure sealing of specially designed self-mailers, as well as standard services that are performed efficiently, such as metering, preparing manual mail, and tracking United Parcel Service usage. In addition, the program offers fast forward move updates as part of the Presort service, as well as mail list management services that standardize addresses, prepare presort, and manage customer address databases. Mailing Services also provides consulting services that often result in additional postal savings and the elimination of unnecessary mailings.

In FY05, the program purchased new software that incorporates bar-code technology to streamline the billing process. Full implementation of bar coding for metered mail will eliminate the need for manual keying of over 240,000 mail cards each year. Furthermore, it will improve reporting capabilities for customers. The \$.002 rate increase for metered mail is not due to technology changes but reflects increases in salary economics. Other software has been installed in the presorting unit that increases the read rate for presorted mail, thereby increasing the presort discounts for agencies.

These and other cost-saving successes demonstrate some of the efforts the program has made to bring value to government. Some savings are offset by the need to install new metering machines required by a U.S. Postal Service mandate. In addition, mail volumes have decreased, so the per-piece handling rates have increased.

**Print and Graphic Services** offers consulting services and a full range of printing and copying services. Comprehensive consulting services ensure that printing needs are met using the best service option possible. In-house services include graphic design, digital copying, offset printing, and finishing. Satellite copy centers have been networked, resulting in more efficient workflow and providing print at the closest point of need. A rapid copy Web submission tool has been implemented to increase efficiencies and response time. However, as print volumes decline and local digital copier use

# Attachment 1

## Department of Management and Budget Fiscal Year 2006 Description of Services

increases, this puts pressure on the program to reduce infrastructure and increase its customer base to stabilize rates. The program will continue to review statewide policies, equipment leases, and service offerings to maximize efficiency. The program continues to actively seek new customers such as colleges and universities and local units of government.

**Vehicle and Travel Services** is the fleet management and travel services provider. The program is committed to reducing costs while providing safe and dependable transportation and travel services to government.

Fleet management initiatives have resulted not only in fleet reductions, but also in longer retention of well-performing vehicles. These efforts enable Vehicle Services to maintain the proper mix of vehicles needed for an efficient, cost-effective fleet. Other examples of cost-saving efforts include the establishment of standardized vehicles for similar job functions, eliminating unnecessary and costly vehicle options, and renegotiation of fleet management service contract terms.

Vehicle rates are made up of two components, a fixed fee and a per-mile rate. Truck rates are calculated on an individual basis.

A fixed fee, also called a blended rate, is developed for each rate group such as midsize, large, police, and others. The calculation includes the anticipated average lease cost, prior year gains and losses, vehicle selection assumptions, and resale estimates. Also included in the fixed fee is the cost of self-insurance for no-fault liability claims. This calculation involves anticipated claims divided by the number of vehicles. From an actuarial perspective, we do not anticipate claims increasing materially next year. But with the decreased number of vehicles, the unit cost will rise for insurance. Overall, for midsize and large vehicles the FY06 fixed fee has decreased significantly.

The per-mile rate reflects variable operating costs of fuel, maintenance and administrative charges for each rate group. Vehicle Services continues to seek ways to reduce these costs. For midsize and large vehicles, the per-mile rate has increased for FY06 from the current rate. Maintenance and administrative costs have decreased but fuel costs continue to increase and remain volatile. The per-mile rate may be adjusted at mid-year if actual fuel costs vary significantly from the current estimates.

Vehicle Services continues to partner with state government agencies to improve inter-agency communication and fleet planning. These and other cost-saving successes demonstrate some of the efforts the program has made to bring value to government.

The travel service reservation fee remains unchanged. Travel Services continues to enhance services by leveraging the latest technologies in the area of Web conferencing, video conferencing, and teleconferencing.

## Attachment 1

### Department of Management and Budget Fiscal Year 2006 Description of Services

**OFFICE OF FACILITIES** offers services in four major areas of functional responsibility.

**Capital Renewal Division** provides lifecycle asset management for DMB-managed buildings, including: infrastructure and preventive maintenance planning, the development of a strategic five-year capital improvement plan, and capital outlay funding. It also procures contracted services for all state agencies' construction and renovation projects.

**Design and Construction Division** provides state agencies, universities, and community colleges with architectural and engineering services, surveying, construction management, and quality control services to improve their facilities, workplace, properties, and environment.

**Operations Division** maintains, repairs, operates, and extends the infrastructure life of over 5 million square feet of facilities owned or managed by DMB. It is also responsible for rapid modular construction and grounds maintenance for more than 1,000 acres, as well as the operation and maintenance of steam and chilled water production plants.

**Tenant Services Division** provides facility management to meet tenants' needs as well as parking, security, and access control services in all DMB-managed/owned facilities.

Office of Facilities continues to build and design facilities that satisfy customer requirements, meet timelines, optimize life cycle costs, and maximize the state's infrastructure investment.

The state's renovation and construction projects have an impact on jobs creation and ultimately Michigan's economy and quality of life. The Governor's Jobs Today Initiative has brought this impact to the forefront in 2005. The Office of Facilities is leading the effort to accelerate the creation of new jobs in the building trades, construction, and related service industries by expedited planning and management of state infrastructure improvement projects.

Office of Facilities' staff of skilled maintenance personnel, facility managers, professional engineers, architects, surveyors, planners, and contract administration personnel enable the office to provide a range of related services and take a leadership role on a number of key state initiatives.

Office of Facilities partnered with all state agencies to implement energy savings measures to meet the energy directive reduction target of 10% by the end of 2008. Energy-saving strategies that have already been implemented have resulted in several millions of dollars of savings to state agencies. Additional potential savings of approximately \$2,000,000 have already been identified in the facility assessments that are currently under way.

## Attachment 1

### Department of Management and Budget Fiscal Year 2006 Description of Services

Office of Facilities also provides emergency response and Homeland Security support and coordination.

**STRATEGIC ASSET MANAGEMENT (SAM)** supports the operations of state government by providing real estate services, strategic space planning, surplus property disposal, financing of state, college, and university building, renovation and major equipment purchases, and risk management services.

Strategic Asset Management continues to provide habitable, safe, and aesthetically-pleasing office space for its tenants, prevents the premature re-investment in capital outlay through life cycle asset management, and proactively manages the physical assets, human resources, and dollars employed in this effort.

The cooperative effort between SAM - Real Estate Division and state agencies to consolidate space resulted in the early cancellation of leases and rent reductions in excess of \$10 million during FY05. The program delivers cost-effective leases that best meet the needs of government.

**Real Estate Division** processes are mapped and reviewed for efficiency on an ongoing basis. Continued improvement and updating of the SAM Web link through the DMB Web page will allow increased information to be easily accessed by the public.

**Risk Management** provides the property and general liability insurance requirements of state agencies, as required by law or special need. Insurance coverage includes, but is not limited to, aircraft and airport liability, employee bond, and crime insurance. The office is also responsible for the administration of the state's motor vehicle fleet self-insurance program. This year's vehicle insurance increase is due to an anticipated increase in the cost of claims, which is spread over fewer vehicles.

During the coming fiscal year, Risk Management staff will explore the most cost-effective means to provide insurance coverage.

**Department of Management and Budget**  
**Fiscal Year 2006 Service Rates**

	FY 2005 Rate	FY 2006 Rate	Unit of Issue
<b>Acquisition Services</b>			
Office Supply Contract	6%	6%	of purchase cost
<i>Logistics - Materials Management</i>			
Warehouse Space	\$5.35	\$5.64 Hazel St \$4.14 Sunset St	per square foot per year
Inventoried Materials Management and Storage	\$18.40	\$20.77	per square foot per year
Inventoried Materials Handling Fee	\$5.00	\$5.00	per ship to address
<i>Logistics - Transportation</i>			
Dedicated Freight Runs		quotes provided in advance	
On Demand Freight Service			
Labor	\$61.39	\$65.04	per hour
Vehicle – per hour	\$11.03	13.34	per hour
Vehicle – per mile	\$00.54	\$00.59	per mile
Regional Mail Route Service		quotes provided in advance	
<i>Logistics - State Surplus</i>			
Sealed Bid Processing	8%	8%	of sale price
Local Bid Processing	8%	0%	of sale price
Property Transfer Charge	20%	0%	of sale price
Vehicle Sale Charge	6-7% based on volume (see Web site)	6-7% based on Volume (see Web site)	of sale price
<b>Agency Services</b>			
<i>Consolidated Print Center</i>			
Consolidated Print	\$0.0490	\$0.0500	per image
Warrant Image	\$0.0590	\$0.0600	per image
<i>Mailing Services</i>			
Presort – Tier 2	\$0.0200	\$0.0200	per piece
Metered Packages	\$1.30	\$1.50	per piece
Metered Mail	\$0.0380	\$0.040	per piece

**Department of Management and Budget**  
**Fiscal Year 2006 Service Rates**

	FY 2005 Rate	FY 2006 Rate	Unit of Issue
<b>Agency Services (<i>continued</i>)</b>			
<i>Print &amp; Graphics</i>			
Digital Copy	\$0.0490	\$0.0510	per copy
<i>Vehicle and Travel Services</i>			
Midsize Vehicles			
Fixed fee for lease and insurance costs	\$223.50	\$140.00	per month
Per-mile rate for fuel, maintenance and operating costs	\$0.1645	\$0.1777	per mile
Large Vehicles			
Fixed fee for lease and insurance costs	\$305.00	\$206.00	per month
Per-mile rate for fuel, maintenance and operating costs	\$0.1720	\$0.1858	per mile
Travel Services Reservation Fee	\$32.00	\$32.00	per reservation
<b>Facilities</b>			
Management Services for Miscellaneous Operating Projects (MOPS) and Lump Sum Projects	5% of total project cost	5% of total project cost	
Management Services for State Agency Line Item	1.5% of total project cost	1.5% of total project cost	
<i>Building Occupancy</i>			
Lansing Complex Charge	\$14.78	\$15.79	per square foot
<b>Strategic Asset Management</b>			
<i>Risk Management</i>			
Type A Vehicle Insurance	\$336.00	\$372.00	per vehicle per year
Type C Vehicle Insurance	\$60.00	\$78.00	per vehicle per year
Type M Motorcycle Insurance	N/A	\$186.00	per vehicle per year
Other Insurance	Actual + 6%	Actual + 6.75%	administrative fee